



# Hawaii

## Benefits From Exports

Despite the small size of its manufacturing sector, Hawaii's export sales of merchandise expanded from \$217 million in 1993 to \$369 million in 2000, a 70 percent increase that was roughly in line with overall growth in U.S. merchandise exports.

In recent years the state's exports have fluctuated, declining in 1997-98 in response to Asian economic problems, then rebounding sharply to a record high in 2000. Hawaii posted a 52 percent increase in exports during 1999-2000, the fourth largest percentage gain among the 50 states.

Hawaii's exports have also grown on a per capita basis. In 1993, merchandise exports amounted to \$186 for every Hawaii resident. By the year 2000, despite significant growth in the state's population, exports on a per capita basis had risen to \$304—a 64 percent increase.

Hawaii exported globally to 97 foreign markets in 2000, up from 93 markets in 1997. The state's leading and dominant market is Japan. Sales of merchandise to Japan totaled \$201 million in 2000 and accounted for 55 percent—more than half—of the state's total exports. Hawaii also posted sales of \$10 million or

more to Canada, New Zealand, South Korea, Switzerland, Singapore, and the United Kingdom.

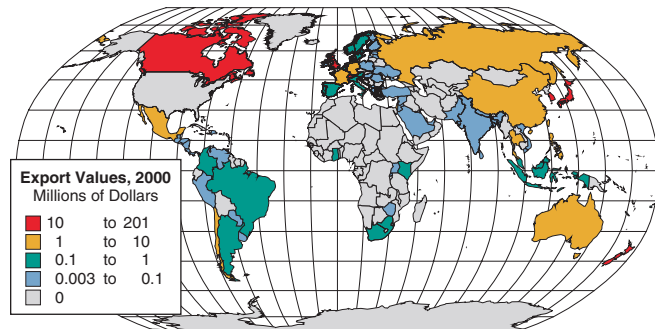
Hawaii's biggest growth markets, in dollar terms, are Japan and Switzerland. From 1997 to 2000 exports to Japan grew by more than \$28 million, while sales to Switzerland expanded by nearly \$15 million. Hawaii also posted significant dollar gains in exports to South Korea, the United Kingdom, Chile, and Germany.

Four manufactured product groups were responsible for nearly 60 percent Hawaii's total merchandise exports in 2000. The leading manufactured export category was processed petroleum and coal products. Sales of these goods amounted to \$77 million, or one-fifth of the state total. Other major manufactured exports were computers and electronic products (\$66 million), transportation equipment (\$42 million), and processed foods (\$33 million). In addition to manufactures, Hawaii also exports significant quantities of agricultural products.

Within Hawaii, the Honolulu metropolitan area posted 1999 exports of \$204 million, which was well over three-quarters of the state total. On a per capita basis, Honolulu recorded export sales of \$236 for every city resident in 1999.

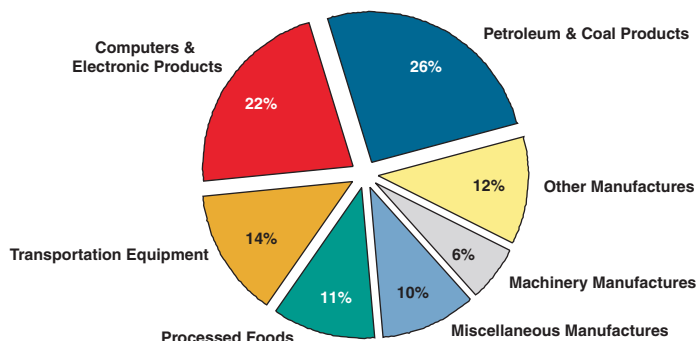
### HAWAII EXPORTED GOODS WORTH \$369 MILLION TO 97 FOREIGN MARKETS IN 2000

Dollar Value of Hawaii's Merchandise Exports to Foreign Markets, 2000



Source: U.S. Department of Commerce, Exporter Location Series.

### HAWAII EXPORTS A WIDE RANGE OF MANUFACTURES: \$302 MILLION IN 2000



Note: Manufactures are a subcategory of total merchandise exports, which also include mining commodities and unprocessed agricultural products.

Source: U.S. Department of Commerce, Exporter Location Series.

## Exports Support Good Jobs

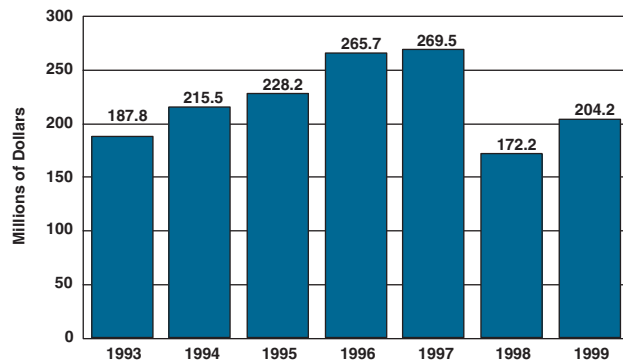
Export-related jobs tend to be good, high-paying jobs. Wages of workers in jobs supported by merchandise exports range 13–18 percent higher than the national average. Export-supported jobs are also more secure: Exporting plants are 9 percent less likely to shut down than comparable nonexporting plants.

In 1997 (latest available data), Hawaii depended on manufactured exports for some 6,000 jobs. Export-supported jobs accounted for an estimated 1.4 percent of Hawaii's total private sector employment.

Manufactured exports supported about 1,200 jobs in Hawaii's manufacturing industries. This was 8.1 percent of the state's manufacturing work force—roughly one of every 12 manufacturing jobs. Sectors with significant numbers of export-related jobs included processed foods and apparel manufactures.

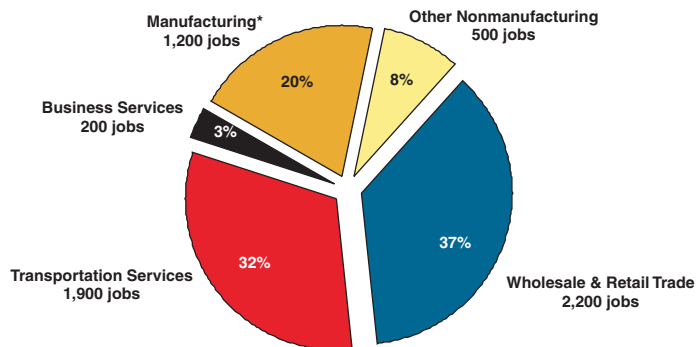
Exports of manufactured goods also indirectly supported 4,800 jobs in the state's nonmanufacturing industries, including 2,200 workers in wholesale-retail trade, 1,900 in transportation services, and 200 in business services. All these industries directly and indirectly supply manufacturers with a wide variety of inputs needed to produce goods for export.

**HONOLULU'S MERCHANDISE EXPORTS GREW 9 PERCENT FROM 1993 TO 1999**



Source: U.S. Department of Commerce, Exporter Location Series.

**6,000 HAWAII JOBS DEPENDED ON MANUFACTURED EXPORTS IN 1997**



\*Includes 600 jobs tied to exports of processed foods.

Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

### TRADE PROMOTION AUTHORITY—KEY TO OPENING WORLD MARKETS

*U.S. Trade Promotion Authority (also known as TPA or "fast track") is essentially an agreement between the President and Congress on how market-opening trade negotiations will be conducted and agreements approved.*

*Under TPA, the President involves Congress in trade negotiations from the start; Congress, in exchange, agrees to vote yes or no on any resulting agreement in its entirety, without amendments. The two branches set negotiating objectives and consult during trade talks while inviting public comment. This open process allows problems to be identified and resolved during negotiations, when agreement is most easily achieved.*

*TPA preserves the ability of the United States to protect public health, safety, and the environment.*

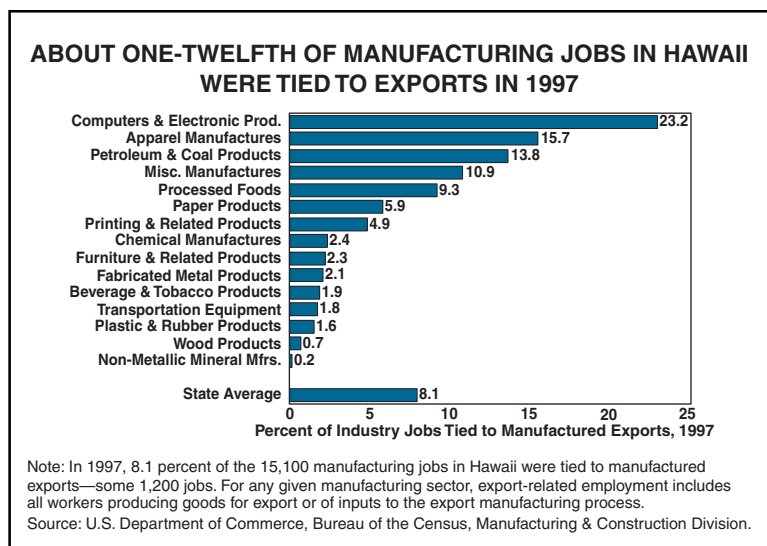
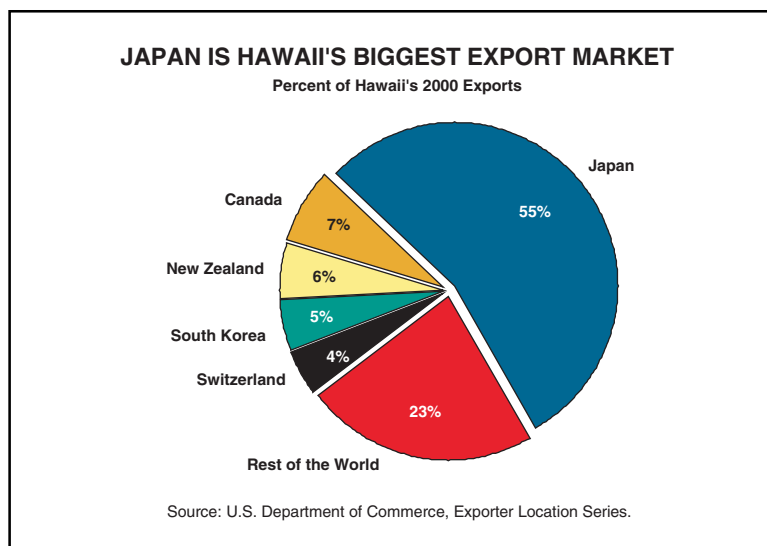
## Exports Help Small Business

Exports have broadly benefited Hawaii's businesses, both large and small. A total of 653 companies exported from Hawaiian locations in 1998. About 86 percent of these companies were small and medium-sized firms that had fewer than 500 employees. In fact, about 76 percent of all Hawaiian exporters were small firms with fewer than 100 workers.

Small and medium-sized companies were responsible for about 51 percent of Hawaii's total exports in 1998. This was far above the national average of 29 percent.

## Foreign Competitors Are Not Standing Still

While previous rounds of trade negotiations were highly successful in reducing trade barriers, much work remains to be done to level the playing field for U.S. businesses. In



fact, the United States has fallen behind our trading partners in combating market barriers through free trade agreements. The United States is a party to just two of the estimated 130 free trade agreements in force worldwide. In comparison, the European Union has FTAs with 27 countries. Since U.S. tariffs are already low compared to those of our trading partners, the United States has a great deal to gain from future negotiations aimed at prying open foreign markets.

## Hawaii Industries Can Gain From Trade Negotiations

Hawaii's exporters still face many tariff and nontariff barriers abroad, especially in developing countries. While developing nations are among the most promising markets, they also tend to have high levels of import protection. Trade negotiations aimed at reducing these barriers will significantly benefit Hawaii's businesses across many industrial sectors.

**Information technology.** Hawaii's high-tech businesses are beneficiaries of the Information Technology Agreement. The agreement eliminates duties on the entire IT sector in major markets throughout the world, with the exception of the larger markets of Latin America. Tariffs on IT products in key Latin American markets remain as high as 30 percent. Beyond tariffs, IT products also face such nontariff restrictions as redundant testing and certification requirements. U.S. suppliers, including those in Hawaii, would likely see sales rise if remaining barriers on IT products were eliminated. Heavy investment in research and development, which drives IT growth and employment, can only be sustained with expanding markets that spread R&D investments over a growing sales volume. Foreign markets are thus increasingly important to any R&D-based products, given the limits of domestic demand.

**Civil aircraft and parts.** The U.S. civil aircraft industry is the largest in the world. In 2000, total exports of U.S. civil aircraft, engines, and parts were \$45 billion. Over the last five years, three of every five large civil aircraft produced in the United States have been exported. The World Trade Organization (WTO) Agreement on Trade in Civil Aircraft provides for duty-free import of civil aircraft and their components by the 26 signatories to this agreement. However, import tariffs in non-signatory countries remain as high as 30 percent. Also, a number of nontariff barriers impede Hawaii's exports of civil aircraft and parts. For ex

### HAWAII: WHY TRADE PROMOTION AUTHORITY?

*Trade Promotion Authority is critical for removing remaining barriers to exports of Hawaii goods and services.*

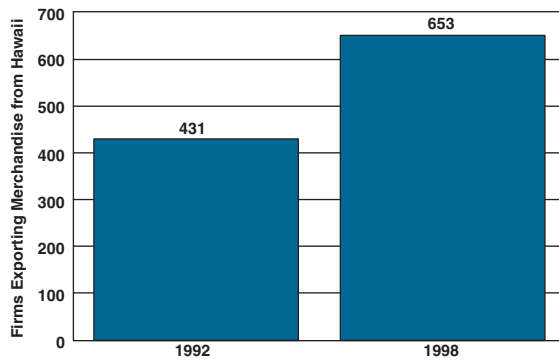
*Hawaii exporters still face major trade barriers in such sectors as information technology, civil aircraft and parts, and fish products.*

*With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.*

*Some 6,000 Hawaii jobs depend on exports of manufactured goods.*

*653 companies—including 560 small and medium-sized businesses—export from Hawaii.*

### THE NUMBER OF COMPANIES EXPORTING FROM HAWAII ROSE 52 PERCENT FROM 1992 TO 1998



Source: U.S. Department of Commerce, Exporter Data Base.

ample, some countries do not promptly or fully recognize the safety and international noise certification compliance of all U.S. civil aircraft.

**Agriculture and fishery products.** Hawaii produces and exports agricultural and fishery products. According to the U.S. Department of Agriculture, Hawaii's commercial fish landings totaled \$65 million and exports were valued at \$5 million in 1999. Hawaii's agricultural exports totaled \$108 million in 1999 (including processed foods). Since 1991, the state's reliance on agricultural exports has risen from 17 percent to 20 percent as measured by export's share of farm cash receipts. Hawaii's top agricultural exports are fruits, fruit products, and tree nuts. Hawaii already benefits from past trade agreements. Under the Uruguay Round, in 2000 Japan lowered its tariffs to 23 percent on fruit juices containing no more than 10 percent sucrose by weight. Japan cut tariffs on most tree nuts; South Korea, Thailand, and Malaysia are doing likewise. The 1989 U.S.-Canada Free Trade Agreement all but eliminated tariffs on fish and seafood. The North American Free Trade Agreement helps U.S. exporters maintain their position as leading suppliers of fish and seafood to Mexico. However, U.S. agricultural exports still face high tariffs and nontariff barriers worldwide.

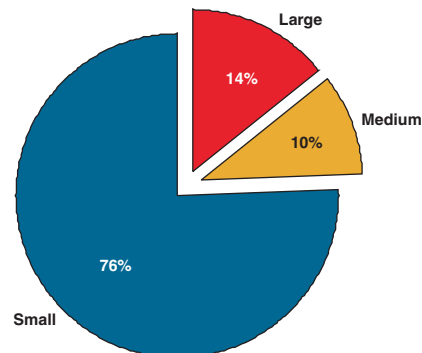
**Services.** Services are the biggest component of the U.S. economy and now account for more than one-fourth (28 percent) of U.S. exports to the world. Service exports in 2000 totaled \$296 billion; the United States ran a surplus of nearly \$80 billion in services trade with the world. Exportable services include transportation services (e.g., air freight), financial services (e.g.,

banking, insurance) and business services (e.g., engineering, architecture). Service industries confront a wide range of barriers abroad. Trade Promotion Authority will provide added impetus to the new round of global services trade negotiations now under way to dismantle these barriers.

### Imports Also Important to Hawaii

While exports generate clear benefits for the Hawaii economy (jobs, wages, expanded tax base, etc.), the role of imports is less clear—especially since no import statistics are available for states on an end-user basis. Although many often equate imports with “lost” jobs, the reality is usually much more complex. For example, there is no doubt that imports supply critical inputs for many of the goods and services produced in Hawaii, including products destined for export. Imports often play a key role in ensuring supplies of vital materials that are either scarce or simply not available domestically. More generally, imports provide consumers and businesses in Hawaii with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.

### 86 PERCENT OF HAWAII'S 653 EXPORTING FIRMS IN 1998 WERE SMALL AND MEDIUM-SIZED ENTERPRISES



Small = less than 100 employees; medium = 100–499 employees; large = 500 or more employees.  
Source: U.S. Department of Commerce, Exporter Data Base.